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SUBJECT: OPPOSITION LEADER'S SPEECH CALLING FOR TAXING RICH, HELPING
POOR, FIGHTING CORRUPTION HELPS LIFT PARTY'S POPULARITY

REF: THESSALONIKI 63

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11. (U) SUMMARY: PASOK leader George Papandreou delivered a fiery, campaign-like speech on September 13 at the 73rd annual Thessaloniki International Trade Fair, calling for the reversal of New Democracy reforms and establishment of a more family-friendly, "green", fair and effective "social state." The four "pillars" of his government's program would be strengthening of family income; reinstatement of the "social state"; green development; and building a fair and effective state. On foreign policy, Papandreou declared the GoG inept, but reaffirmed his party's basic agreement with ND on the Macedonia name issue. In a September 14 press conference, Papandreou said he favored new elections as soon as possible, without specifying a timeframe. Ruling ND criticized the speech as vague and unoriginal, but at least one poll suggests the public preferred Papandreou's populist prescriptions for change to Prime Minister Karamanlis's September 6 speech calling for "staying the course." END SUMMARY

INCREASING FAMILY INCOME

12. (U) In the traditional opposition speech delivered at the Thessaloniki International Trade Fair, PASOK President George Papandreou blamed the government for the high cost of living and other hardships faced by ordinary Greeks. Mocking Prime Minister Karamanlis's September 6 speech (reftel), Papandreou claimed Greece's economic woes were not caused by the international financial crisis but by government corruption, ineptitude and cartels. "Greece is bankrupt, Greeks are becoming poorer and ministers are getting rich." Papandreou said he would raise family income and purchasing power by reducing taxes, through a modified tax code that will favor lower-income citizens at the expense of higher income groups. His tax system would tax large stock exchange profits and Church of Greece property transactions. It would also undo tax reform measures (aimed at reducing tax evasion) recently announced by the GoG. In addition, he would order price reductions on utility bills and provide a heating oil subsidy for low income households. He would fight cartels and monopolies, including by reforming the Greek Competition Commission, reduce citizens' debt burden, maintain public education free of cost, increase the unemployment benefit and prevent home foreclosures

RE-ESTABLISHING THE "SOCIAL STATE"

13. (U) Papandreou said he would reform the pension and social security systems and strengthen education, employment and health care. On pensions, he would start by reversing the current government's latest measures, which decreased pension rates and increased retirement ages. He would implement "a fair and viable social security system", including by creating a social

security fund for self-employed professionals, similar to the social security fund for wage earners, and by expanding a bonus for some 300,000 low-income pensioners. On education, Papandreou promised to increase funding for education to 5% of GDP, and to 2% for research. On employment, he would have the state help young people enter the labor market by covering their social security contributions for the first four years of employment. He would create one salary scale for the entire public sector and more strictly regulate the private sector to eliminate uninsured work, unpaid overtime and inadequate health and safety provisions. He would raise the unemployment benefit to 70% of the minimum wage.

HOW TO PAY FOR ALL THIS? TAX BUSINESS AND THE RICH

14. (U) Papandreou said he would pay for his reform program by eliminating preferential tax treatment for businesses and the wealthy and through a "redistribution" of wealth. Tax breaks for businesses "resulted in a loss of over 4bn for the state", he claimed. Re-instatement of inheritance taxes would generate state revenues, as would reduction of the defense budget and fighting corruption. More effective Greek diplomacy and foreign policy would generate a "peace dividend" that would decrease defense expenditures. His government would also make the state bureaucracy more effective, to decrease expenditures, waste, tax evasion and to absorb EU funds more efficiently.

GREEN DEVELOPMENT, INVESTMENT IN PEOPLE

15. (U) Promising a "state with a human face", Papandreou advocated development through eco-friendly technologies and businesses, including in agriculture, energy, food and tourism. His government would establish the Fund for Eco-friendly Forms of Energy, aiming at producing 18% of the total national energy needs from renewable sources by 2020. He would promote eco-tourism, the "Mediterranean diet" and alternative means of transportation. In order to encourage entrepreneurship in such areas, he would persuade banks to provide citizens start-up

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capital. He would reduce bureaucratic hurdles to starting a business and liberalize "closed" professions. Finally, public investment -directed to public companies- will reach 5% of GDP. His government would overhaul the current plan for using EU funds (the National Strategic Framework, 2007-2013).

FAIR AND EFFECTIVE STATE

16. (U) In order to restore confidence in the state, Papandreou said his government would pursue confidence building measures between the state and citizens. There would be greater transparency, independence of the judicial system, the media and the monitoring role of parliament. Public enterprises would be made more competitive but remain public, not sold off to foreign monopolies. The state would be based on meritocracy, not nepotism. There would be more official monitoring and evaluation schools and hospitals. He would reform the state administration, including through decentralization, but not through the current government plan, which would cause chaos.

GOVERNMENT UNABLE TO HANDLE FOREIGN POLICY

17. (U) The changing balance of power, with China, India and Russia challenging the United States, demanded an effective foreign policy, Papandreou asserted. Recent events in Georgia underscored this. The current government is "unable to handle" key foreign policy issues. He noted that there has recently been a "ray of hope" in the "open wound" of Cyprus. While on the Macedonia name issue, the government allowed UN-mediated negotiations to stray from their mandate and cross red lines. The government must reject the latest Nimitz package and re-open negotiations based on clear red lines. There can be no dual name, only one name, with a geographic determinant, for all uses. At the same time, he said, PASOK would not play the nationalist card.

PRESS CONFERENCE: ND GOVERNMENT "FINISHED"

18. (U) During a press conference on September 13 that lasted almost three hours, Papandreou claimed the Karamanlis government was "finished", adding that the resignation by Merchant Marine Minister Voulgarakis under a cloud of scandal did not change the fact that responsibility "lies with the Prime Minister and the government." Papandreou ruled out the possibility of cooperation between his party and ND, except on Greece's approach to the Macedonia name issue, on which PASOK had imposed its will. Asked about possible cooperation with the Coalition of the Left (Synaspismos), Papandreou said PASOK's first goal was to establish a self-sufficient government that would rule via a wide consensus. He added that PASOK had submitted proposals to Synaspismos that remain valid. PASOK prefers general elections as soon as possible, but not as a means for New Democracy to "write off" current scandals. Regarding the scandal over property exchanges between the state and the Mount Athos monastery of Vatopedi, Papandreou said PASOK had no involvement in this case. He repeated his proposal that Church profits from property sales be subject to taxes, and noted that he favored clear separation of church and state.

POLITICAL PARTIES CRITICIZE VAGUE SPEECH, CHURCH REJECTS TAXATION PROPOSAL

19. (U) Government spokesman Theodoros Roussopoulos stated "Mr. Papandreou has announced that he would present a comprehensive program and substantiated proposals. What Greek citizens heard were vague exclamations and conflicting promises. The president of PASOK again succeeded in invalidating himself." ND secretary Lefteris Zagoritis said "Mr. Papandreou did not impress anyone. With his statements he failed to define targets and policies. His address was full of generalities and ambiguity. A Coalition of the Left (Synaspismos) statement called the speech a "frenetic and conflicting, and in conclusion, failed effort by Mr. Papandreou to enhance a social profile for his party...In two consecutive weekends in Thessaloniki Mr. Karamanlis and Mr. Papandreou ensured the end of the two-party system." Commenting on Papandreou's press conference, Popular Orthodox Rally (LA.OS) said Papandreou had offered "answers in slow motion, without substantive proposals; oft-repeated and rusted positions that are unable to meet today's needs." Thessaloniki Metropolitan Anthimos angrily rejected Papandreou's call for taxation of Church property sales, warning of unspecified yet dire consequences.

110. (SBU) ATMOSPHERICS: In contrast to PM Karamanlis's sober, "stay the course" speech on September 6, Papandreou used aggressive, crowd-pleasing rhetoric that repeatedly elicited boisterous applause from the large partisan audience. The tone of the speech and the audience's repeated chanting of "Giorgos! Giorgos!" before, during and afterwards created a campaign-like

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atmosphere. Some journalists pointed out that Papandreou's press conference was remarkable not only for its duration but the number of journalists and questions and the apparent renewed interest in the PASOK leader's views.

111. (SBU) COMMENT: Papandreou's populist messages struck a chord with Greeks frustrated over the high cost of living and perceived government corruption and ineffectiveness. While the speech left many questions unanswered (e.g. how would a PASOK government pay for its generous tax and social service reforms) it appears to have given the party a small boost in popularity: a nation-wide poll published September 16 showed PASOK leading ND for the first time in years, by 28.8% to 26.6%. Papandreou appears to have won the annual battle of speeches with PM Karamanlis, but it remains to be seen if the 2.2% rise in popularity is an upward trend or a temporary spike. There is increasing noise but as yet no clear call from either party for early elections, and Papandreou's claim that the government is "finished" is premature at best.

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